Instructions for Preparing Quarterly Financial Reports (QFR/DFP/DR)

April 24, 2018

MILLENNIUM CHALLENGE CORPORATION
UNITED STATES OF AMERICA

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Introduction

This document provides instructions for the completion of the MCC financial reports. The financial reports provide an overview of the financial progress since the last disbursement period, and explains and justifies any proposed cash request for the next period. The financial reports templates include: the Detailed Financial Plan (DFP), Quarterly Financial Report (QFR) and Disbursement Request (DR). The QDRP is due to MCC twenty (20) days prior to the end of the calendar quarter (i.e. March 10, June 10, September 10 and December 10), or the next business day following this date if this date falls on a holiday or weekend. For out of cycle requests, please see "Guidance on Out-of-Cycle Disbursement Requests."

Separate financial reports are required for all MCC funding sources. There are four types of MCC funding sources:

- Compact Funding,
- Compact Development Funding (CDF): 609(g)
- Compact Development Funding (CDF): CIF
- Threshold

Quarterly financial reporting for CDF grants should begin upon execution of the grant and implementation agreements, unless otherwise agreed with MCC. The financial reports must be submitted for CDF grants until the funds are exhausted or rolled-over. The last financial reports submitted at closeout must be clearly marked as "FINAL".

A DR package for funding is required once the fund enters into force and an Accountable Entity (AE) submits an initial disbursement request.

Financial Report Schedules

The QFR consists of the following seven Excel-based worksheets, hereafter referenced as schedules:

- DFP Commitments
- DFP Cash
- QFR Schedule A (Multi Year Financial Plan Adjustment Request Form)
- QFR Schedule B (Summary of Multi Year Financial Plan Adjustments to Date)
- Official DR

The first two schedules (DFP Commitments and DFP Cash) make up the DFP, which reflects the funding that the Accountable Entity (AE) expectsAEo commit and the cash (in the form of AE Spending Authority) it expects to need with respect to the work plans and other submitted QDRP planning documents. For planning purposes, the DFP breaks down these categories to the activity level (or beyond to the sub-activity, where appropriate) on a quarterly basis over the life of the MCC grant. In addition, the AE must not exceed the activity-level AE Spending Authority included in the approved DFP Cash and is responsible for monitoring this throughout the disbursement period.

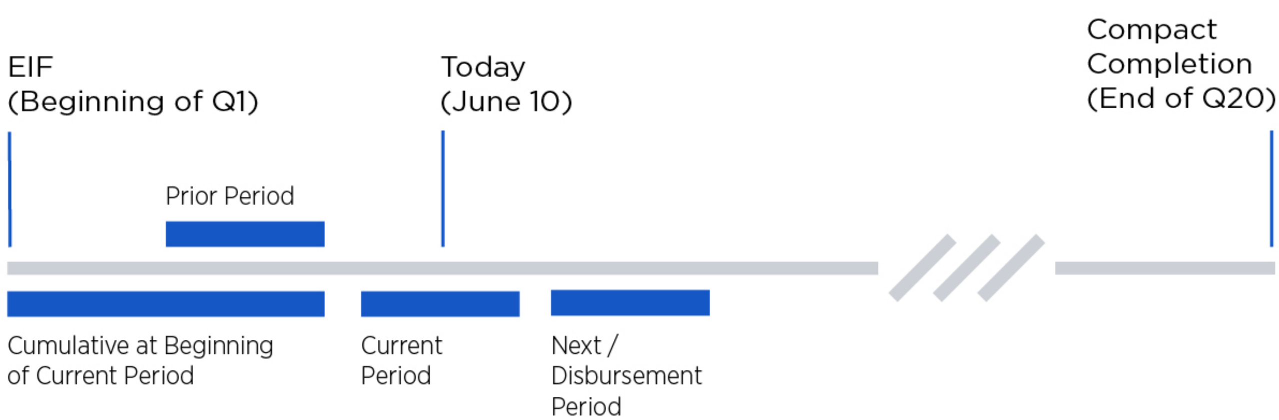
The DFP covers the full value of the compact or CDF funding sources, as appropriate, over the period of performance for such funding source.

QFR Schedules A and B are designed to account for proposed and executed reprogramming/reallocation of funds across projects and/or activities within projects.

The Disbursement Request (DR) is a notification to MCC of the total expected cash requirements that will occur under the two payment processes during the next period. Further guidance is provided in the MCC Common Payment System Manual.

General Instructions:

Note that the terms "current period," "prior period," and "next period" (the latter is referenced as "disbursement period") are widely used in these instructions and on the forms. "Current period" refers to the quarter in which the Accountable Entity is presently operating during the preparation of this report. "Next period" refers to the quarter which is to begin at least twenty (20) days after the submission of this report, and for which any DR is intended. "Prior Period" refers to the quarter immediately preceding the current period in which the AE is presently operating. MCC advises entering the relevant dates for each period in the column headings during preparation of the financial report package.



For all schedules, the following identifying information must be provided:

- Name of country
- Name of the AE
- Compact or CDF grant number
- Date submitted
- Disbursement period, and
- whether the report is being submitted out of the quarterly cycle

All amounts presented should be expressed in United States Dollars (USD).

Schedule-Specific Instructions

DFP Commitments

The DFP-Commitments spreadsheet is used to forecast commitments by project and activity [1] (or at a more granular level, if appropriate) to establish the commitment level. Forecasted commitments are defined as follows:

- Value of any contract planned to be signed/executed in the future. Where a contract allows for a base period and optional extensions to be exercised by the MCA, the base period value should be entered on the DFP Commitments in the month the contract is signed. Each option period value should be entered into the DFP according to the timing of when the option may be exercised. This method of recording commitments assumes that each option will be executed, therefore it is imperative that the MCA validate the option has indeed been exercised and the amount has been verified with the MCA Procurement Director.
- Any recurring expense (outside of an executed vendor contract) that can be forecasted through the next period(s), such as salaries, utilities, telephone, etc.
- Value of an Implementing Entity Agreement (IEA), less MCA's in-kind contribution as detailed below.

Implementing Entity Agreements

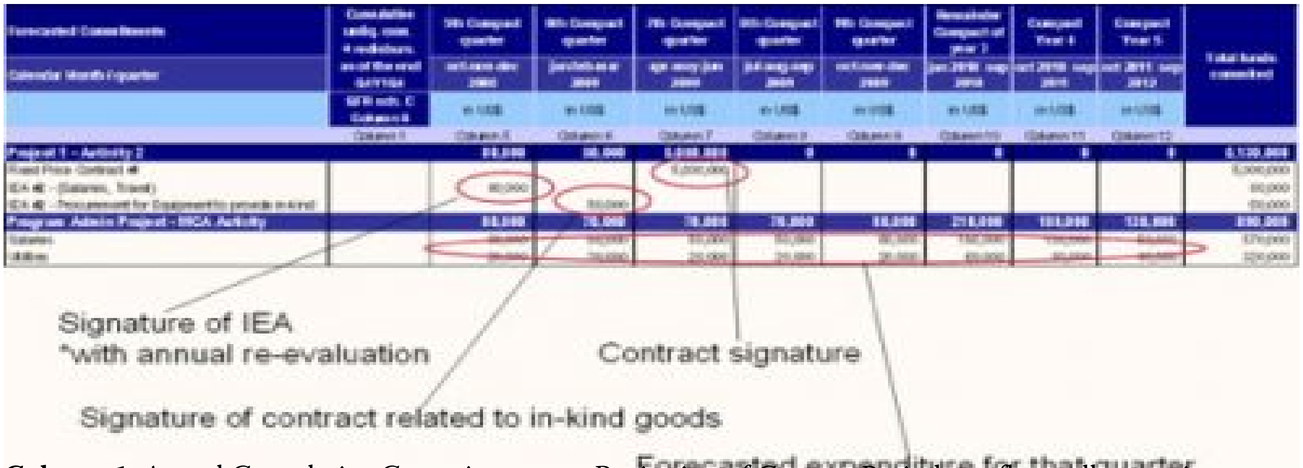
Financial data associated with IEAs should also be reported on this Schedule.

Expenditure categories and payment structures differ according to the type of IEA. Regardless of variations, the maximum projected value of MCC funding to be provided directly to the Implementing Entity (IE) or its personnel during the duration of the IEA should be forecasted or reported as a commitment during the quarter of IEA signature.

Since these types of expenditures are often tied to maximum amounts not to be exceeded during a calendar month (rather than the life of the IEA), AEs and their Fiscal Agents should perform an annual review of IEA commitments and reduce the overall commitment amount where monthly maximums have not been met. This downward revision of an IEA commitment should be reported as a negative value in the detailed budget, or in the DFP if detail is provided at the individual contract or IEA level as shown in the example below.

MCC funding associated with an IEA is often not provided directly to the IE, but rather requires the AE to procure and pay for in-kind contributions (i.e. goods, works, and services that support the IE's function). These types of expenses should be forecasted or reported in the quarter of contract signature between the AE and the vendor of these goods, works, or services.

Please refer to the exhibit below displaying the different types of commitment forecasting:



Column 1: Actual Cumulative Commitments at Beginning of Current Period – reflects all commitments: executed contracts, recurring expenses, etc. (as defined above), which have occurred in prior period(s) through and including the last day of the prior period. For example, all commitments made before April 1, 2018 should be listed in Column 1 of the DFP Commitments Schedule for the QFR prepared and submitted for MCC's approval on June 10, 2018.Populate the DFP Commitments Schedule first.Instructions for Completion of DFP-Commitments

Column 2: Projected Commitments during Current Period – reflects commitments made to date in the current period, plus projected commitments for the remainder of the current period. For example, an AE signed seven contracts during the quarter starting April 1, 2018 and ending on June 30, 2018. The AE is submitting a disbursement request package to MCC for approval on June 10 (with 20 days still remaining in the current period) and it anticipates making two more commitments in the time remaining. If the probability of executing these projected commitments is high, the AE should include all nine commitments in the Column 2 of the DFP Commitments Schedule.

Columns 3-5: Next Period – These columns show expected new commitments, by month, for the next period.

Column 6: Next Period – is a self-calculating summation of the monthly breakdown that shows forecasted commitments for the next period.

Column 7- Column N+3: Projections for Future Quarters – These columns show expected new commitments, by quarter, for the life of the MCC grant.

Column N+4 Commitments as Currently Forecasted – is a self-calculating summation of cumulative commitments made in a prior period(s), plus projected commitments in the current period, plus forecasted commitments through the end of the MCC grant.

Figures in this column should be close to those in the Column N+5 (Commitments as per Current Approved MYFP), while some difference is probable. Variance between forecasted commitments and allocations in the current MYFP could result from contracts being signed "over" and "under" budget and/or from revisions of the cost estimates for the future procurements. Such divergence can be expected at times, although it does flag an imbalance that must be addressed.

Assessing variance in each project will help MCA determine if and when reprogramming of funds (via Schedule A) may become necessary. By utilizing variance tracking mechanism in the DFP Schedules, MCA should identify and explain in the Narrative Report any significant variances. The Narrative Report should include a clear plan for determining what variables must be known prior to making a reallocation request in a timeframe designed to minimize any risk of over-commitment.

Column N+5 Commitments as per Current Approved MYFP – shows the current approved funding allocations by Project/Activity.

Column N+6 is a self-calculating column which shows the difference (over/under) between Commitments as Currently Forecasted (Column N+4) and an Approved MYFP (Column N+5).

The grand total in this column should be close to zero:

- High negative figures will convey a risk of "over commitment" (if current forecasts were to become a reality, there will not be enough funds to implement the MCC grant).
- High positive figures indicate risk to MCC grant completion and or expectation of substantial savings at the end of the MCC grant, because current projections are such that total amount of expected costs is less than the current budgeted amount.

DFP – Cash

The DFP-Cash spreadsheet is used to forecast cash flow needs by project, activity (or at more granular level, if appropriate) to establish the cash flow budget for the MCC grant. Cash requirements should be based on actual or forecasted contract payment/fee schedules and recurring expenses planned outside of contracts, such as salaries, utilities, etc.

Populate DFP-Cash Schedule only after completing DFP-Commitments. Changes in the commitment figures will likely trigger corresponding ones in the DFP Cash Schedule.

The logic of this Schedule is identical to that of DFP Commitments. The only exception is that the DFP Cash Schedule is designed to track cash flows rather than contracts and other commitments. Projected cash flows should reflect the deliverables/payments schedules of executed contracts; recurring costs (such as salaries, utilities, etc.); and projected payments against forecasted commitments as reported on the DFP Commitments Schedule. Particular attention should always be paid to the cash projections when reviewing against the DFP Commitment schedule.

The MCC approved DFP Cash Schedule forms the basis for AE Spending Authority totals by activity. During the disbursement period, payments by the AE from either the Permitted Accounts or utilizing CPS may not exceed these activity-level limits.

Schedule A: Multi-Year Financial Plan Adjustment Request Form

Schedule A of the QFR is used to request formal adjustments (reallocations) of funding from one project or activity to another in the MYFP. Schedule A should be submitted even if no changes in the MYFP are being proposed and no changes are included columns 3 and 4 (see below). Variance between the current approved MYFP and the Cash/Commitments as currently forecasted (per DFP Schedules) does not have to automatically result in a formal request for reallocation of funds via Schedule A. If the risk of over-commitment arises, imbalances reported via variance columns of the DFP Schedules can be corrected by virtue of proposing a formal change to MYFP as described below.

The left-most column with project and activity titles does not change and no action is required once project and activity titles in the compact have been entered.

All amounts shown on Schedule A must be presented in dollars and cents to two decimal places.

Column 1: Column 1 does not change and no action is required once original MYFP values have been entered.

Column 2: Column 2 reflects cumulative adjustments to the MYFP last approved by MCC, and should be taken from the final column of Schedule B from the **previously approved** QFR (Current Approved Multi-Year Financial Plan). Column 2 contains the full compact amount by project and activity and the grand total of this column must always match the grand total of Column 1.

Columns 3 and 4: Show any proposed increases in the MYFP for each project and activity in Column 3 and decreases for each project and activity in Column 4. Display all amounts as positive numbers. The column totals for Columns 3 and 4 must be equal to each other, as the increases and decreases must not change the overall budget total for all activities. The only exception to this rule is when funds have been de-obligated due to the completion of the grant or a transfer of funding to supplement another grant

Column 5: Column 5 shows the proposed MYFP to be in place for the next period after considering the proposed increases and decreases. Column 5 is the result of adding the amounts across each row in Columns 2 and 3 then subtracting the amount in Column 4.

Schedule B: Summary of Multi-Year Financial Plan Adjustments to Date (or CDF Financial Plan)

Schedule B provides a historical log of all of the approved changes to the MYFP by project and activity. This table **should not include proposed changes to the MYFP in the current QFR submission**.

The left-most column with project and activity titles does not change and no action is required once project and activity titles in the Compact have been entered.

All amounts shown on Schedule B must be presented in dollars and cents to two decimal places.

Column 1: Column 1 does not change and no action is required once original MYFP values have been entered.

Columns 2, 3, etc.: Columns 2, 3, 4, etc. record the changes that have been approved through the current period, by quarter. This information is the sum of the amounts in Schedule A, Columns 3 and 4, of the previously approved Financial Reports. Amounts from Schedule A, Column 3, are expressed as positive numbers and amounts from Schedule A, Column 4, are expressed as negative numbers. The grand total for each of the Approved Adjustments columns in Schedule B must always be zero unless funds have been de-obligated due to the completion of the grant or a transfer of funding to supplement another grant. Insert the applicable QFR submission date at the top of the respective adjustment column(s) to identify the QFR adjustments that were approved by MCC. As necessary, add additional columns by copying Column 3 and inserting it to the right. In order to print properly, hide earlier columns and show only the most recent three periods, but the electronic version should contain the complete history of changes.

Column 4 (or the right-most column if others have been inserted after Column 3): Column 4 contains the cumulative effect of previously approved adjustments by adding all the adjustments for each project and activity (across Columns 2, 3, etc.) to the original Multi-Year Financial Plan in Column 1. The amounts in Column 4 (Final Column) must be transferred to and the same as the amounts in Schedule A, Column 2.

Schedule F – *Schedule F is no longer required and the necessary information is included in the MCDR Reconciliation Schedule*

Disbursement Request Form

This schedule is a summary document, which requires signatures from the individuals authorized to do so under the grant agreement or supplemental agreements in order to confirm compliance with the relevant agreements and authorization for the funds to be disbursed as planned.

Endnotes

1. MCC requires that the formal submission of the DFP Cash/Commitments worksheets resembles Annex II of the Compact (Multiyear Financial Plan). MCAs may choose to utilize the same template detailing cash/commitments forecasts on a more granular level (i.e. individual contracts) for internal programmatic and budgeting needs, but this is not a requirement for the formal submission to MCC, and approval of the DFP does not represent approval of individual contract expenditures.